

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7771

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FOR CAB AND COMMERCE (ASSISTANT SECRETARY WASHBURN)

E.O. 11652: N/A

TAGS: ETRN, UK

SUBJ: CIVAIR - FUEL ALLOCATION FOR LAKER AIRWAYS

1. FREDDIE LAKER, PRESIDENT LAKER AIRWAYS HAS CONTACTED EMBASSY CONCERNING FUEL ALLOCATION PROBLEM HIS AIRLINE IS EXPERIENCING IN US. ACCORDING TO LAKER, HIS AIRLINE HAS CONTRACTS FOR 15 ADVANCE BOOKING CHARTERS FROM LONDON TO NEW YORK IN MONTH OF APRIL. THUS FAR, HOWEVER, HE HAS BEEN UNABLE TO OBTAIN FUEL COMMITMENT FROM US SUPPLIER BECAUSE AIRLINE'S FUEL ALLOCATION IS INADEQUATE. LAKER STATES FUEL ALLOCATION IS BASED ON AIRLINE'S USAGE DURING COMPARABLE PERIOD IN 1972. DURING BASE PERIOD, LAKER AIRWAYS HAD VIRTUALLY SHUTDOWN US OPERATIONS BECAUSE OF CAB RESTRICTIONS STEMMING FROM ENFORCEMENT ACTION AGAINST CARRIER FOR VIOLATIONS AGAINST CAB CHARTER REGULATIONS. CARRIER SUBSEQUENTLY SETTLED WITH CAB ENFORCEMENT BUREAU BY PAYMENT OF \$101,000 PENALTY BUT AS RESULT OF REDUCED 1972 OPERATIONS, CARRIER'S FUEL ALLOCATION IN 1974 IS INORDINATELY SMALL.

2. LAKER, OF COURSE, RECOGNIZES HARD REALITIES OF LIMITED OFFICIAL USE

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AVIATION FUEL SHORTAGE IN US BUT HE BELIEVES PRESENT

ALLOCATION BASED ON 1972 CONSUMPTION DOES HIS AIRLINE AN INJUSTICE AND INSTEAD OUGHT TO BE BASED ON SOME OTHER FORMULATION (SUCH AS IS APPLIED IN CASE OF NEW CARRIER IN MARKET) BECAUSE OF FORCED REDUCTION IN CARRIER'S OPERATIONS DURING 1972.

3. COMMENT. BECAUSE OF UNUSUAL CIRCUMSTANCES, WE BELIEVE LAKER HAS REASONABLE CASE FOR EXCEPTION FROM 1972-BASED FUEL ALLOCATION. IN ADDITION, WE BELIEVE IT REASONABLY LIKELY THAT LAKER WOULD BE ABLE TO CONVINCE UK AVIATION AUTHORITIES, WHO ARE ALREADY UNHAPPY ABOUT WHAT THEY REGARD AS UNDUE DELAY IN US HANDLING OF LAKER SKYTRAIN APPLICATION, THAT AN ALLOCATION FORMULA WHICH, IN EFFECT, IMPOSES A FURTHER, FUEL-RELATED PENALTY, IN ADDITION TO ADMINISTRATIVE FINE ALREADY PAID, FOR CARRIER'S PAST CHARTER VIOLATIONS IS INEQUITABLE AND POSSIBLY DISCRIMINATORY AGAINST LAKER.

4. WOULD APPRECIATE DEPARTMENT'S VIEWS.

ANNENBERG

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